

V I R G I N I A:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: EVAN ENERGY COMPANY, LC

RELIEF SOUGHT: EXCEPTION TO STATEWIDE SPACING
LIMITATIONS PRESCRIBED BY VA. CODE
§ 45.1-361.17(a)(2) FOR WELL
NO. 743

)
) VIRGINIA GAS
) AND OIL BOARD
)
) DOCKET NO.
) 02-0618-1034

LEGAL DESCRIPTION:

DRILLING UNIT SERVED BY WELL NUMBERED
NO. 743 TO BE DRILLED IN THE LOCATION
DEPICTED ON EXHIBIT A HERETO,
MILLER'S COVE ENERGY COMPANY, INC. OIL &
GAS TRACT
PENNINGTON GAP QUADRANGLE,
ROCKY STATION MAGISTERIAL DISTRICT,
LEE COUNTY, VIRGINIA
(the "Subject Lands" are more particularly
described on Exhibit "A" attached hereto
and made a part hereof)

REPORT OF THE BOARD

FINDINGS AND ORDER

1. Hearing Date and Place: This matter came on for hearing before the Virginia Gas and Oil Board (hereafter "Board") at 9:00 a.m. on June 18, 2002, Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, Virginia.
2. Appearances: James E. Kaiser, Esquire of the firm Wilhoit & Kaiser appeared for the Applicant and Sandra B. Riggs, Assistant Attorney General, was present to advise the Board.
3. Jurisdiction and Notice: Pursuant to Va. Code § 45.1-361.1 et seq., the Board finds that it has jurisdiction over the subject matter. Based upon the evidence presented by Applicant, the Board also finds that the Applicant has (1) exercised due diligence in conducting a meaningful search of reasonably available sources to determine the identity and whereabouts of each gas and oil owner, coal owner, or mineral owner having an interest in Subject Drilling Unit underlying and comprised of Subject Lands; (2) has represented to the Board that it has given notice to those parties (hereafter sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) entitled by Va. Code § 45.1-361.19 to notice of this application; and (3) that the persons set forth in Exhibit B hereto have been identified by Applicant as said owners. Further, the Board has caused notice of this hearing to be published as required by Va. Code § 45.1-361.19.B. Whereupon, the Board hereby finds that the notices given herein satisfy all statutory requirements, Board rule requirements and the minimum standards of state

ENTERED

due process.

4. Amendments: None.
5. Dismissals: None.
6. Relief Requested: Applicant requests (1) an exception to the statewide spacing limitations set forth in Va. Code § 45.1-361.17 for Well No. 743.
7. Relief Granted: The requested relief in this cause be and hereby is granted. The Board hereby grants Applicant consent to permit and drill proposed Well No. 743 2,417.83 feet from existing Evan Energy Company Well No. 723 at the location depicted on the Plat attached hereto;
8. Special Findings: The Board specifically and specially finds:
 - 8.1 Applicant claims the right to explore for, develop and produce Gas from Well No. 743 as well as from the reciprocal well, i.e., Well No. 723;
 - 8.2 Applicant is an operator in the Commonwealth of Virginia and has satisfied the Board's requirements for operations in Virginia;
 - 8.3 The proposed Well No. 743 is located on a surface, coal, oil and gas tract consisting of 1,679.13 acres known as Miller's Cove Energy Company et al oil and gas tract and the surface, coal, gas and oil owners have consented to the proposed location for Well No. 743 that is depicted on the Plat attached hereto as Exhibit A;
 - 8.4 The Applicant testified it has the right to operate and develop the reciprocal Well No. 723, and that the granting of the application filed herein will not impact the correlative rights of any person;
 - 8.5 For the reasons set in Exhibit B hereto, an exception to the well spacing requirements of Va. Code § 45.1-361.17 for Well No. 743 is necessary to efficiently drain a portion of the common sources of supply (reservoir) underlying Subject Drilling Unit, and the Board's granting of the requested location exception is in the best interest of preventing the waste of 400 million cubic feet of Conventional Gas underlying Subject Drilling Unit, and to generally effect the purposes of the Virginia Gas and Oil Act;
 - 8.6 Applicant proposes the drilling of Well No. No. 743 to a depth of 6,200 feet on the Subject Drilling Unit at the location depicted in Exhibit A to develop the pool of Gas in Subject Formations;
 - 8.7 Applicant proposes to complete and operate Well No. 743 for the purpose of producing Conventional Gas from all the Mississippian and Devonian age formations including, but not limited to Big Lime Weir, Base Weir, Brownshale, and Coniferous from surface to total depth drilled 6,200 feet.
9. Mailing Of Order And Filing Of Affidavit: Applicant or its Attorney shall file an affidavit with the Secretary of the Board within sixty (60) days after the date of receipt of this Order stating that a true and correct copy of said Order was mailed within seven (7) days from the

date of receipt of this Order to each person pooled by this Order whose address is known.

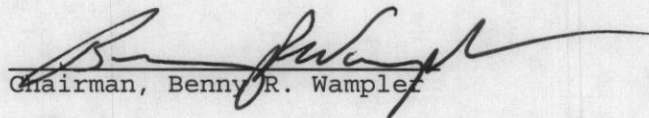
10. Availability of Unit Records: The Director shall provide all persons not subject to a lease with reasonable access to all records for Subject Drilling Unit, which are submitted by the Unit Operator to said Director and/or his Inspector(s).

11. Conclusion: Therefore, the requested relief and all terms and provisions set forth above be and hereby are granted and IT IS SO ORDERED.

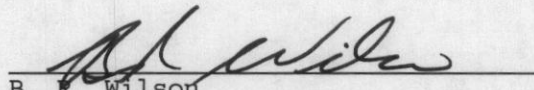
12. Appeals: Appeals of this Order are governed by the provisions of Va. Code Ann. § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court. Such appeals must be taken in the manner prescribed in the Administrative Process Act, Va. Code Ann. § 9-6.14:1 et seq. and Rule 2A of the Rules of the Virginia Supreme Court.

13. Effective Date: This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 22nd day of July, 2002, by a majority of the Virginia Gas and Oil Board.

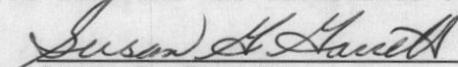

Chairman, Benny R. Wampler

DONE AND PERFORMED this 29th day of July, 2002, by Order of this Board.


B. R. Wilson
Principal Executive to the Staff
Virginia Gas and Oil Board

STATE OF VIRGINIA)
COUNTY OF WISE)

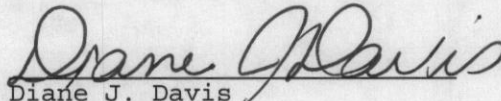
Acknowledged on this 22nd day of July, 2002, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Susan G. Garrett
Notary Public

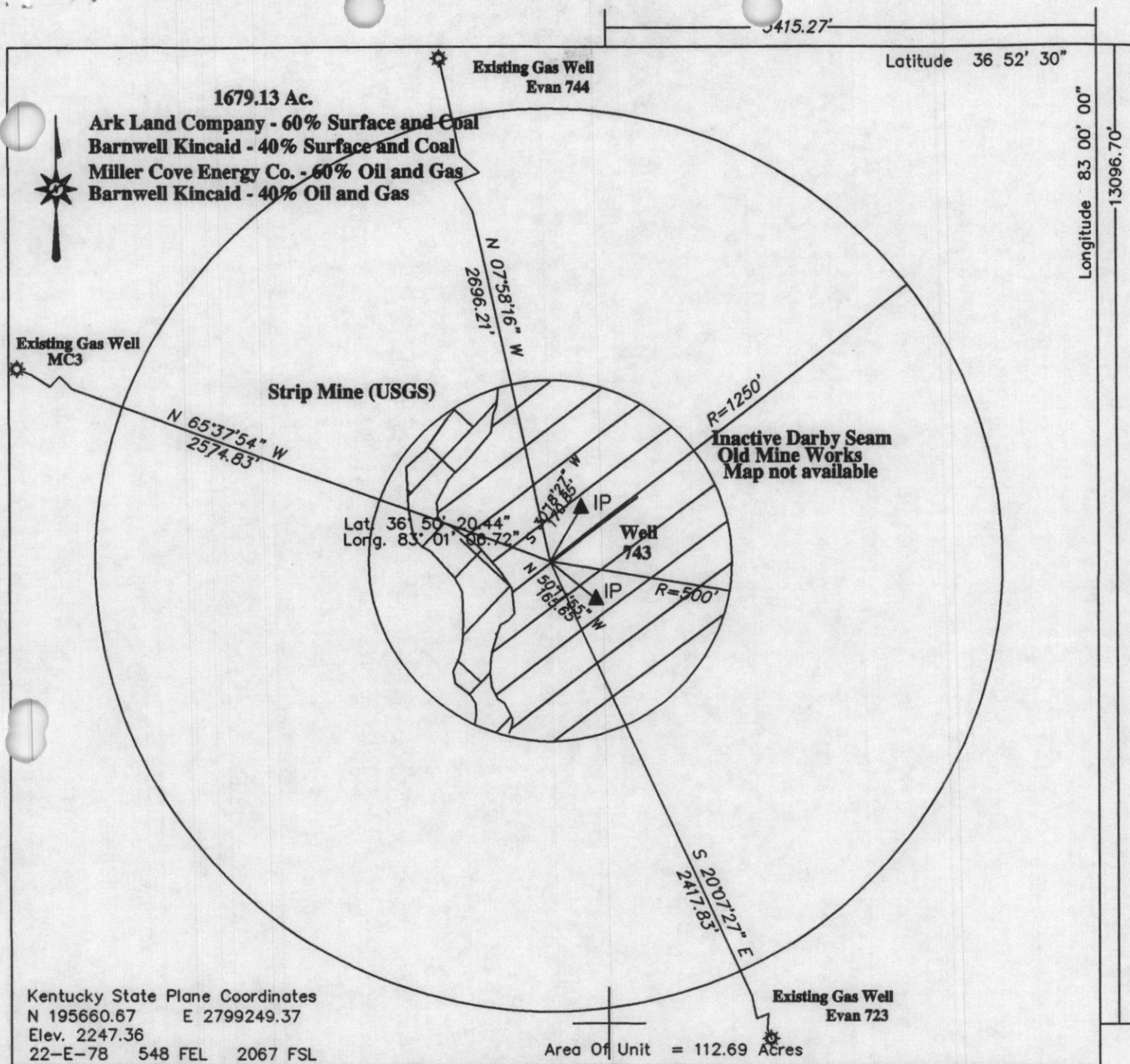
My commission expires July 31, 2002

STATE OF VIRGINIA)
COUNTY OF WASHINGTON)

Acknowledged on this 29th day of July, 2002, personally before me a notary public in and for the Commonwealth of Virginia, appeared B. R. Wilson, being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Diane J. Davis
Notary Public

My commission expires September 30, 2005



WELL LOCATION PLAT

COMPANY: Evan Energy Co., LC WELL NAME OR NUMBER 743
TRACT NUMBER Ark Land Company - Barnwell Kincaid QUADRANGLE Pennington Gap
DISTRICT Rocky Station
WELL COORDINATES (VIRGINIA STATE PLANE): N 215747.89 E 678153.80
ELEVATION Elev. 2247.36 METHOD USED TO DETERMINE ELEVATION:
Trigometric leveling from Lone Mountain Coal Company Survey Station LM 75
COUNTY Lee SCALE- 1" = 400' DATE: May 13, 2002

THIS PLAT IS A NEW PLAT X ; AN UPDATED PLAT _____ ;

Denotes the location of a well on United States topographic Maps, scale 1 to 24,000 latitude and longitude lines being represented by border lines as shown. (optional)

W.R. Palmer

Licensed Professional Engineer or Licensed Land Surveyor (Affix Seal)

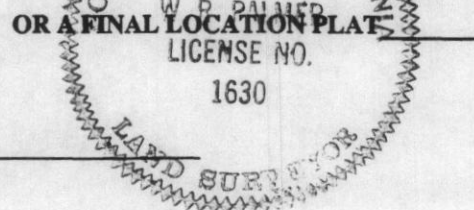


EXHIBIT "B"
743
LOCATION EXCEPTION

Miller's Cove Energy Company, Inc.
1979 Johns Drive
Glenview, IL 60025

Harlan Lee Land, LLC
c/o Olin Melchionna, Jr., Attorney
P.O. Box 90
Roanoke, VA 24002

Darrell Barnwell
c/o Carolyn Petry
881 Cedar Trace
Lilburn, GA 30247

Billie Barnwel
P.O. Box 254
Middlesboro, KY 40965

Stephanie Barnwell
135 Spring Run Road, Apt. 127-C
Versailles, KY 40383

Carolyn B. Petry
881 Cedar Trace
Lilburn, GA 30247

Ark Land Company
Attn: Mr. Terry Irons
10 Kenton Drive
Charleston, WV 25311

EXHIBIT B

Well #743

The request to move this well location is based on in-field topographic conditions as well as erosion and sediment control from land disturbing activities.

The well, if placed in the original staked location, would sit on a very narrow (<10') sandstone outcrop point. In order to create sufficient room for a drill rig and associated support equipment extensive blasting and land disturbance would have to occur. The area associated with this staked location has original ground slopes ranging from 42 degrees to 48 degrees and as previously mentioned is a sandstone point. Any removed material would have to be placed on the down slope and would have to toe out approximately 200' below the site. This would create an unstable area that would be prone to slides and erosion.

The access road into this site would average a road grade of 18% over the last 600' and would have to be constructed by blasting. Material removed from this road would have to be placed below the road grade, as fill material, and would be very unstable and virtually impossible to control surface runoff on.

If the well is placed at the new staked location, and the request approved, then this well will be located on the back portion of a natural flat and no excavated material will need to be placed on the down slope. Slopes in the proposed location range from 5 degrees to less than 33 degrees at the back of this location. A minor amount of blasting may have to be conducted on the northern edge of this location. Excavated material will be worked back to front on this location so as to create sufficient room and no material will be allowed to encroach below the natural flat. Appropriate erosion and sediment control measures will be installed prior to other land disturbing activities associated with this site. These will consist of brush lines, silt fence, hay bale barriers or sediment channels and are to be located on the southern portion of the existing natural flat.

The access road into this new location will have one area of 10% grade for approximately 250', with the remaining portion of this road to average approximately 4% grade. Erosion and sediment control on this road will be provided by use of sumps, culverts, berms, adequate basing and bedding and vegetative cover on cut and fill slopes.